

Economic Update for APEC Members



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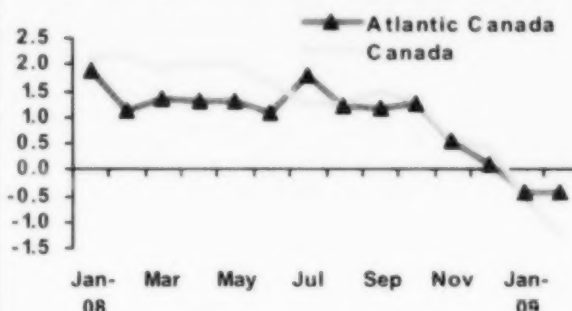
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Early Impact of the Recession in Atlantic Canada – March 2009

- The deteriorating economy is becoming more evident in Atlantic Canada. The decline in production and exports in mining and manufacturing industries is leading to layoffs especially in rural Atlantic Canada.
- However, job losses in Atlantic Canada are not occurring as fast as in the rest of the country. As of February 2009, employment in the Atlantic region is down about 9,400 from the October 2008 peak - a decline of 0.8% compared with a 1.7% decline nationally. The largest job losses have been in Ontario, Alberta and British Columbia.
- New Brunswick has experienced the largest decline in employment in the region since October 2008, with a decline of 3,900. According to the Labour Force survey, employment is also down by 3,100 in Newfoundland & Labrador, 1,100 in Nova Scotia and 1,100 in Prince Edward Island.
- As a consequence of these job cuts, unemployment is rising. The unemployment rate in Atlantic Canada has risen from 9.6% in October 2008 to 10.3% in February 2009.
- APEC's tracking of recently announced layoffs (see table below) shows that the resource sector, especially forestry and mining, and the automotive sector have been the hardest hit. However, the service sector is not immune from cutbacks as companies like Bell Aliant and Air Canada are also streamlining their operations.
- Regional employment levels will decline further in the coming months as announced layoffs take effect. Nova Scotia is the most at risk with the largest share of job cuts on the list.

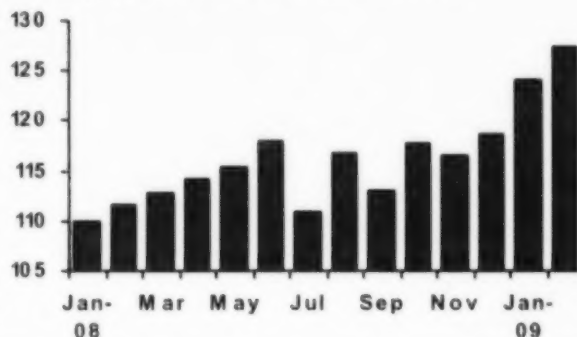
The Employment Picture Has Deteriorated

Employment growth (% change over previous year)



Rising Job Losses in Atlantic Canada

Unemployment, Atlantic Canada (thousands)



Recently Announced Job Losses in Atlantic Canada

| Company | Industry | Location | Prov | Jobs | Notes | Effective |
|----------------------------------|-------------|----------------|------|------|--------------------------------------|-----------|
| Bell Aliant | Telecom | Various | AC | 500 | Streamlining management | Dec-08 |
| AbilibiBowater | Forest | Grand Falls | NL | 450 | Mill closure | Feb-09 |
| ACA Cooperative | Agri-food | Kentville | NS | 300 | Plant closure | Feb-09 |
| Blue Note Mining | Mining | Bathurst | NB | 300 | Mine closure | Oct-08 |
| Precision Finished Components | Auto | Sydney | NS | 260 | Gradual shutdown over 2009 | Jan-09 |
| Air Canada Flight Attendant Base | Transport | Halifax | NS | 187 | Closure | Nov-08 |
| Wabush Mines | Mining | Wabush | NL | 160 | Layoffs for indefinite period | Dec-08 |
| Michelin | Auto | Waterville | NS | 95 | Declining market conditions | Apr-09 |
| KLJ Field Services | Call Centre | Windsor | NS | 90 | U.S. recession | Feb-09 |
| Fraser Papers | Forest | Edmunston | NB | 78 | Streamlining over the next 30 months | Feb-09 |
| Acadian Mining | Mining | Gays River | NS | 70 | Mine closure | Jan-09 |
| Little Narrows Gypsum | Mining | Little Narrows | NS | 66 | Closing for at least four months | Dec-08 |
| Comeau Lumber | Forest | Meteghan | NS | 60 | Indefinite shutdown | Jan-09 |
| Atlantic Castings | Auto | North Sydney | NS | 55 | Indefinite closure | Dec-08 |
| Louisiana Pacific | Forest | Chester | NS | 50 | Indefinite layoffs | Dec-08 |

Source: Regional media reports and corporate news releases.

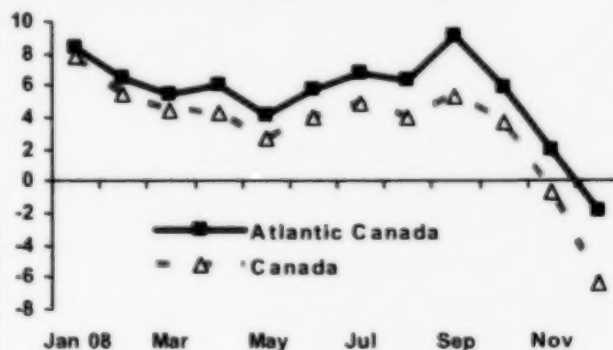
The Atlantic Provinces Economic Council is an independent think-tank dedicated to economic progress in Atlantic Canada. APEC is a trusted source of analysis and advice on current and emerging trends in the region's economy. Please visit our website for more information: www.apec-econ.ca

Early Impact of the Recession in Atlantic Canada – March 2009

- Job losses and weakening consumer confidence slowed retail markets in the last quarter of 2008. Retail spending grew at a faster rate than the rest of the country. Fourth quarter sales increased by 2.5% in Atlantic Canada over the previous year compared to a 1% decline in Canada. Consumer bankruptcies are a rising concern with filings up in all four provinces in the fourth quarter of 2008 over the previous year led by Prince Edward Island (+111%) and Nova Scotia (+32%).
- The largest drag on retail sales in the fourth quarter of last year was new auto sales which were down over 11% both in Atlantic Canada and nationally compared to the previous year. Lower gas prices were also a factor with the average price in Halifax averaging 97 cents/litre in the fourth quarter of 2008 compared to \$1.10 in 2007. On a positive note, department stores and supermarkets (excluding NS) both experienced solid growth with Atlantic sales up 4% and 6% respectively.
- Exports and manufacturing shipments began slowing slightly ahead of employment and retail sales. The decline in commodity prices has brought the value of shipments down from their mid-2008 peak. Production is expected to slow further with closures in manufacturing sectors such as forestry, auto parts and agriculture.
- Residential construction will continue to weaken in the Atlantic region in 2009 with housing starts falling by 15% this year according to CMHC forecasts following an 8% decline in 2008. Growth in average home prices is expected to be weaker from 10% last year to less than 1% in 2009. However, this compares favourably to 10% and 5% declines in national average home prices in 2008 and 2009.
- Non-residential construction activity is expected to be an important driver for the Atlantic economy in 2009. A recent Statistics Canada survey predicts that growth in capital investment spending will be highest in Newfoundland and Labrador and Nova Scotia this year. Projects that will drive growth include the Deep Panuke natural gas project in Nova Scotia along with Newfoundland and Labrador's White Rose expansion and the Voisey's Bay nickel processing facility. Activity in New Brunswick will be down due to the completion of construction on the LNG facility and pipeline.
- Construction in 2009 will be supported by infrastructure initiatives from the three levels of government. Capital budgets in three provinces (NL, PE and NB) have been announced that will add an additional \$500 million over the previous year. Nova Scotia expects to add \$800 million over the next three years.

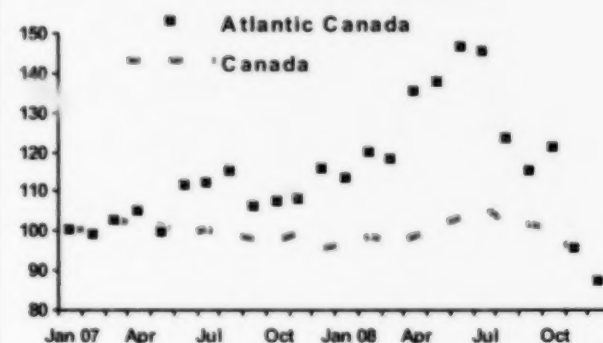
Consumers Have Scaled Back in Recent Months

Retail sales growth (% change over previous year)



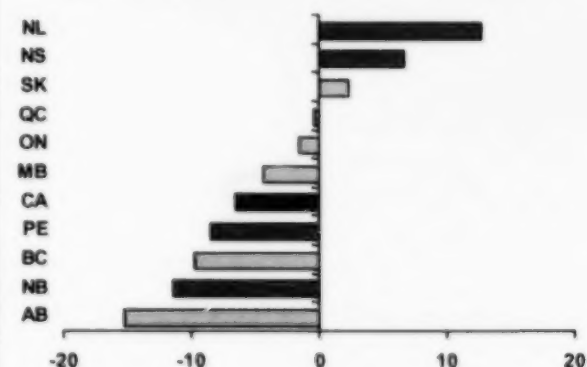
Commodity Price Declines and Slower Sales are Pulling Back Manufacturing Shipments

Manufacturing shipments, (Index, Jan. 2007=100)



Growth in Investment Expected to be Highest in Newfoundland & Labrador and Nova Scotia

Change in capital investment expenditures, 2008-2009 (%)



Data sources for this report – Statistics Canada, CMHC.

